

# Measuring Expenditure Savings

---

## Overview

1. Estimate 2002 **baseline** spending
2. Project spending that would have occurred **without Dirigo**
3. Measure **actual** spending under Dirigo
4. Savings = projected spending without Dirigo **minus** actual spending

# 1. Baseline Spending: Source Data

---

- Large-employer and employee spending - *Maine Health Management Coalition*
- Medicare beneficiaries - *CMS*
- MaineCare beneficiaries – *MaineCare*
- Small groups, individual coverage or uninsured – *Northeast sample of the Medical Expenditure Panel Survey (MEPS)*

# 1. Baseline Spending: Estimation

---

- Estimate 2-part regression model, predicting expenditures for hospital, physician, drugs, other
- Estimate Maine expenditures:
  - Apply regression results to Maine population demographics, employment, and coverage
  - Adjust national expenditure levels to Maine levels by service type

# 1. Baseline Spending: Verification

---

- **Verify baseline estimates relative to:**
  - **CMS state health accounts**
  - **Maine Health Data Organization (MHDO)**

## 2. Projected Spending Without Dirigo

---

- Data: Only national estimates released regularly
- Assumptions:
  - Maine's growth rate has exceeded national growth by a consistent margin, would likely continue  
(1993-1998 av. difference, total spending = 2.6 % pts)
  - Recent national cost trends persist into the future (rolling average basis)
- Estimate:  $(1+m)$  national per capita spending, calculated for 15 service/payer groups, adjusted to Maine population, and aggregated

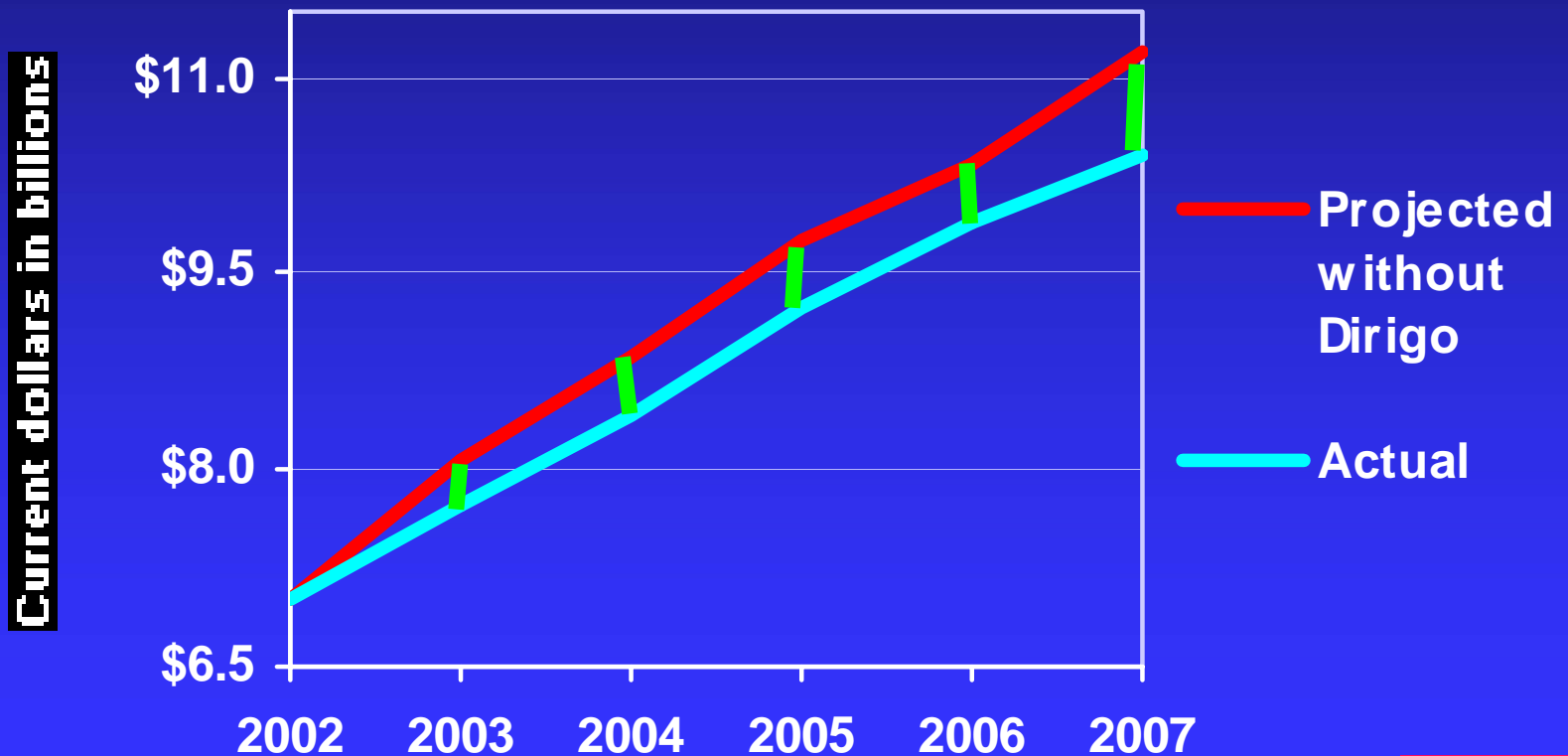
### 3. Actual Spending in 2003

---

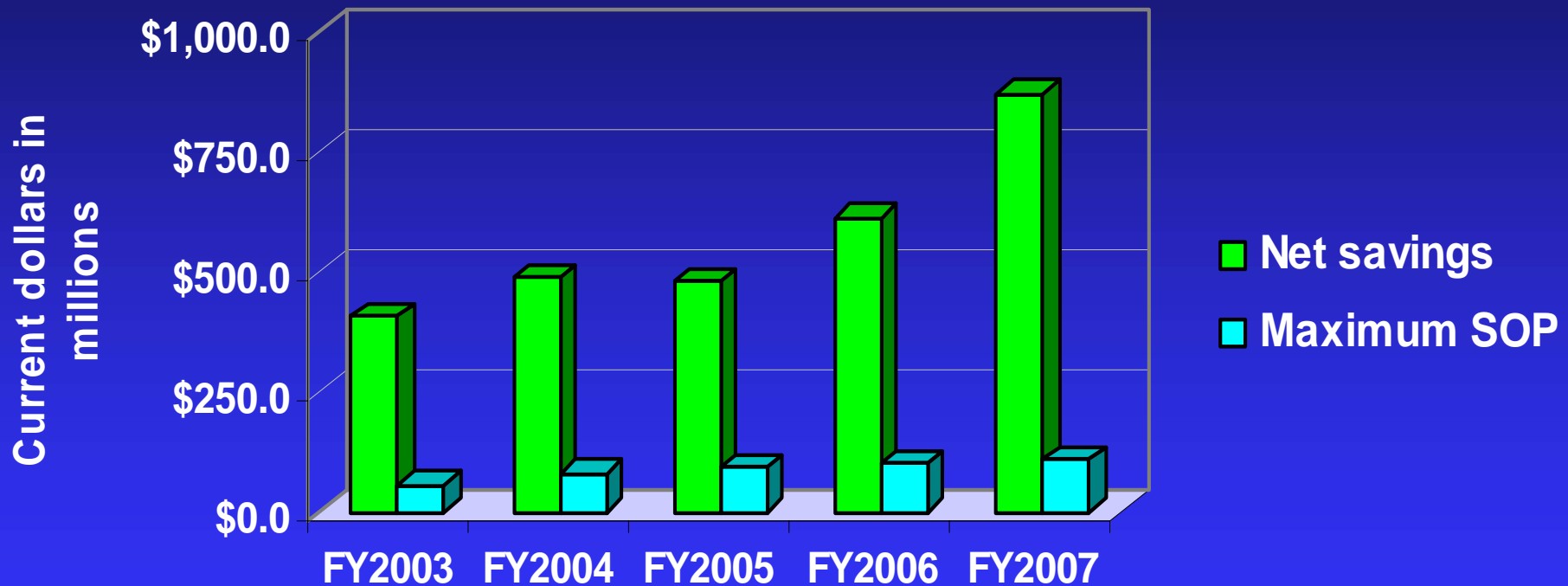
- Data and methods – same as used to estimate baseline spending
  - Coalition data
  - CMS and MaineCare data
  - National data (MEPS)
- In future years, use new source data
  - Maine All-Payer data base
  - Dirigo claims data

## 4. Calculate Net Savings (Illustration)

$$\text{Net Savings} = \text{Projected Spending without Dirigo} - \text{Actual Spending}$$



# Net Savings Illustration and Projected Maximum SOP



# Schedule for FY2005 SOP Calculation

---

<b>Projected spending without Dirigo</b>	<b>September 2004</b>
<b>Verified baseline estimate</b>	<b>October 2004</b>
<b>Actual 2003 spending estimate</b>	<b>October 2004</b>
<b>Actual FY 2004 spending estimate</b>	<b>February 2005</b>
<b>Dirigo Board sets FY 2005 SOP</b>	<b>April 2005</b>